

**IOWA ASSOCIATION FOR  
EDUCATIONAL PURCHASING**

**INDEPENDENT AUDITOR'S REPORTS  
BASIC FINANCIAL STATEMENTS AND  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF FINDINGS**

**JUNE 30, 2012**

## CONTENTS

<b>Officials</b>		1
<b>Independent Auditor's Report</b>		2-3
<b>Management's Discussion and Analysis</b>		4-8
<b>Basic Financial Statements</b>	<b>Exhibit</b>	
Statement of Net Assets	A	9
Statement of Revenues, Expenses and Change in Net Assets	B	10
Statement of Cash Flows	C	11
Notes to Financial Statements		12-16
<b>Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards</b>		17-18
<b>Schedule of Findings</b>		19

**IOWA ASSOCIATION FOR  
EDUCATIONAL PURCHASING**

**OFFICIALS**

**Board of Directors**

<i>NAME</i>	<i>TITLE</i>	<i>REPRESENTING</i>
Francis Peterson	Board Member	Keystone AEA
Debra Rich	Board Member	AEA 267
Bruce Bahnson	Board Member	Prairie Lakes AEA
Robin Krueger	Board Member	Mississippi Bend AEA
Jim Green	Board Member	Grant Wood AEA
Dr. Earl Bridgewater	Board Member	Heartland AEA
Roger Brinkert	Board Member	Northwest AEA
Julie Wilken	Board Member	Green Hills AEA
Dr. Joy Prothero	Board Member	Great Prairie AEA
Dan Dreyer	Director of the Food Program	
Marie Hills	Administrative Assistant	

**IOWA ASSOCIATION FOR  
EDUCATIONAL PURCHASING**



**SCHNURR & COMPANY, LLP**  
Certified Public Accountants and Consultants

**INDEPENDENT AUDITOR'S REPORT**

To the Members of the Iowa Association for  
Educational Purchasing  
Cedar Falls, Iowa 50613

We have audited the accompanying financial statements of the Iowa Association for Educational Purchasing as of and for the year ended June 30, 2012. These financial statements are the responsibility of the Association's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Iowa Association for Educational Purchasing at June 30, 2012, and the changes in its financial position and its cash flows for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated November 12, 2012 on our consideration of the Iowa Association for Educational Purchasing's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

U.S. generally accepted accounting principles require Management's Discussion and Analysis on pages 4 through 8 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the required supplementary information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

*Schnurr & Company, LLP*

Fort Dodge, Iowa  
November 12, 2012

## **IOWA ASSOCIATION FOR EDUCATIONAL PURCHASING**

### **MANAGEMENT'S DISCUSSION AND ANALYSIS**

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The Iowa Association for Educational Purchasing provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the year ended June 30, 2012. We encourage readers to consider this information in conjunction with the Association's financial statements, which follow.

#### **FINANCIAL HIGHLIGHTS**

- ◆ The Association's operating revenues were \$924,808 in fiscal year 2012.
- ◆ The Association's operating expenses were \$559,691 in fiscal year 2012.
- ◆ The Association's net assets increased by \$365,762 in fiscal year 2012.

#### **USING THIS ANNUAL REPORT**

The Iowa Association for Educational Purchasing is a 28E organization and presents its financial statements using the economic resources measurement focus and accrual basis of accounting, which is the same measurement focus and basis of accounting employed by private sector business enterprises. This discussion and analysis are intended to serve as an introduction to the Iowa Association for Educational Purchasing's basic financial statements. The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the Association's financial activities.

The Statement of Net Assets presents information on the Association's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Association is improving or deteriorating.

The Statement of Revenues, Expenses and Changes in Net Assets is the basic statement of activities for proprietary funds. This statement presents information on the Association's operating revenues and expenses, non-operating revenues and expenses and whether the Association's financial position has improved or deteriorated as a result of the year's activities.

The Statement of Cash Flows presents the change in the Association's cash and cash equivalents during the year. This information can assist readers of the report in determining how the Association financed its activities and how it met its cash requirements.

Notes to Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

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### FINANCIAL ANALYSIS OF THE ASSOCIATION

#### *Statement of Net Assets*

As noted earlier, net assets may serve over time as a useful indicator of the Association's financial position. The Association's net assets at the end of fiscal year 2012 totaled \$365,762. A summary of the Association's net assets is presented below.

<b>Net Assets</b>	
Current assets	\$ 409,155
Capital assets at cost, less accumulated depreciation	13,120
<b>Total assets</b>	<b>422,275</b>
Current liabilities	56,513
<b>Total liabilities</b>	<b>56,513</b>
Net assets:	
Invested in capital assets	13,120
Unrestricted	352,642
<b>Total Net Assets</b>	<b>\$ 365,762</b>

The unrestricted portion of the Association's net assets (96%) may be used to meet the Association's obligations as they come due. The invested in capital assets (e.g., furniture, equipment, and vehicle), (4%) are resources allocated to capital assets.



## MANAGEMENT'S DISCUSSION AND ANALYSIS

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### FINANCIAL ANALYSIS OF THE ASSOCIATION (Continued)

#### *Statement of Revenues, Expenses and Changes in Net Assets*

Operating revenues are received for the cooperative food purchasing program. Operating expenses are expenses paid to operate the Association. Non-operating revenues are for interest income. The utilization of capital assets is reflected in the financial statements as depreciation, which allocates the cost of an asset over its expected useful life. A summary of revenues, expenses and changes in net assets for the year ended June 30, 2012 is presented below.

<b>Changes in Net Assets</b>	
<b>Operating Revenues:</b>	
Cooperative	\$ 924,808
<b>Total operating revenues</b>	<b>924,808</b>
<b>Operating Expenses:</b>	
Wages and payroll taxes	211,445
Rebates	204,036
Professional fees	104,342
Travel	13,461
Purchased services	5,923
Supplies	5,679
Insurance	3,878
Telephone and communication	3,349
Depreciation	3,280
Meeting expense	1,688
Marketing	1,004
Information technology	756
Repairs and maintenance	314
Rent	305
Staff dues	231
<b>Total operating expenses</b>	<b>559,691</b>
<b>Operating income</b>	<b>365,117</b>

(Continued on next page)

## MANAGEMENT'S DISCUSSION AND ANALYSIS

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### FINANCIAL ANALYSIS OF THE ASSOCIATION (Continued)

#### *Statement of Revenues, Expenses and Changes in Net Assets*

<b>Changes in Net Assets (Continued)</b>	
Operating income	\$ 365,117
Non-operating revenues:	
Interest income	645
<b>Net non-operating revenues</b>	<u>645</u>
<b>Change in net assets</b>	365,762
Net assets beginning of year	<u>-</u>
Net assets end of year	<u><u>\$ 365,762</u></u>

The Statement of Revenues, Expenses and Changes in Net Assets reflects a positive year with an increase in net assets at the end of the fiscal year.

Fiscal year 2012 was the first year of separate operations of the Association. In fiscal year 2012, operating revenues were \$924,808. Operating expenses were \$559,691.

#### *Statement of Cash Flows*

The Statement of Cash Flows presents information related to cash inflows and outflows, summarized by operating, capital and related financing and investing activities. Cash provided by operating activities includes cooperative revenue reduced by payments to employees and to suppliers. Cash used by capital and related financing activities includes the purchase of capital assets. Cash provided by investing activities includes interest income.

### CAPITAL ASSETS

At June 30, 2012, the Association had approximately \$13,120 invested in capital assets, net of accumulated depreciation of \$3,280. Depreciation expense totaled \$3,280 for fiscal year 2012. More detailed information about the Association's capital assets is presented in Note 3 to the financial statements.

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

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### **ECONOMIC FACTORS**

The Iowa Association of Educational Purchasing began operation on July 1, 2011. All-in-all it was a fine first year of operation. The Association had 321 school district clients and they purchased approximately \$28,000,000 through our program. The Association estimates that by the client's participation the Association saved them nearly \$2,000,000 in food and supply costs.

The Association fee of 50¢ per case yielded approximately \$630,000 in fees in the first year. The Association also generated additional monies by our participation in a Healthcare Foodservice Sourcing Advantage (HFSA) marketing study. After expenses were paid, the Association was able to rebate \$400,000 to clients on a pro-rata basis.

For the 2012-13 year the Association is hopeful that it will see slight increases in both the number of clients served and in total sales volume. The Association is also planning to add a full time Food Program Consultant to help clients deal with the numerous state and federal dietary regulations. We believe this additional staff member will make the program much more appealing to those who aren't yet clients and will entice them to join the program.

### **CONTACTING THE ASSOCIATION'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of the Association's finances and to show the Association's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Iowa Association for Educational Purchasing, 3712 Cedar Heights Drive, Cedar Falls, Iowa 50613.

**IOWA ASSOCIATION FOR  
EDUCATIONAL PURCHASING**

## **BASIC FINANCIAL STATEMENTS**

**IOWA ASSOCIATION FOR EDUCATIONAL PURCHASING****Exhibit A****STATEMENT OF NET ASSETS****June 30, 2012**

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**ASSETS**

## Current assets:

Cash	\$ 409,155
<b>Total current assets</b>	<u>409,155</u>

## Noncurrent assets:

Capital assets, net of accumulated depreciation	13,120
<b>Total noncurrent assets</b>	<u>13,120</u>

<b>Total assets</b>	<u>422,275</u>
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**LIABILITIES**

## Current liabilities:

Accounts payable	50,000
Accrued expenses	6,513
<b>Total current liabilities</b>	<u>56,513</u>

<b>Total liabilities</b>	<u>56,513</u>
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**NET ASSETS**

Invested in capital assets	13,120
Unrestricted	<u>352,642</u>

<b>Total net assets</b>	<u>\$ 365,762</u>
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See notes to financial statements.

**IOWA ASSOCIATION FOR EDUCATIONAL PURCHASING****Exhibit B****STATEMENT OF REVENUES, EXPENSES AND  
CHANGES IN NET ASSETS  
Year Ended June 30, 2012**

Operating Revenues:	
Cooperative	\$ 924,808
<b>Total operating revenues</b>	<u>924,808</u>
Operating Expenses:	
Wages and payroll taxes	211,445
Rebates	204,036
Professional fees	104,342
Travel	13,461
Purchased services	5,923
Supplies	5,679
Insurance	3,878
Telephone and communication	3,349
Depreciation	3,280
Meeting expense	1,688
Marketing	1,004
Information technology	756
Repairs and maintenance	314
Rent	305
Staff dues	231
<b>Total operating expenses</b>	<u>559,691</u>
<b>Operating income</b>	<u>365,117</u>
Non-operating revenues:	
Interest income	645
<b>Non-operating revenues</b>	<u>645</u>
<b>Change in net assets</b>	365,762
Net assets beginning of year	<u>-</u>
Net assets end of year	<u><u>\$ 365,762</u></u>

See notes to financial statements.

**IOWA ASSOCIATION FOR EDUCATIONAL PURCHASING**

**Exhibit C**

**STATEMENT OF CASH FLOWS**  
**Year Ended June 30, 2012**

<b>Cash Flows from Operating Activities:</b>	
Cash received from cooperative	\$ 924,808
Cash paid to suppliers for goods and services	(294,966)
Cash paid to employees for services	(204,932)
<b>Net cash provided by operating activities</b>	<u>424,910</u>
<b>Cash Flows from Capital and Related Financing Activities:</b>	
Purchase of capital assets	(16,400)
<b>Net cash (used in) capital and related financing activities</b>	<u>(16,400)</u>
<b>Cash Flows from Investing Activities:</b>	
Interest received	645
<b>Net cash provided by investing activities</b>	<u>645</u>
<b>Net increase in cash</b>	409,155
Cash and cash equivalents at beginning of year	-
Cash and cash equivalents at end of year	<u>\$ 409,155</u>
<b>Reconciliation of operating income to net cash provided by operating activities:</b>	
Operating income	\$ 365,117
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	3,280
Changes in assets and liabilities:	
Increase in accounts payable	50,000
Increase in accrued expenses	6,513
<b>Total adjustments</b>	<u>59,793</u>
<b>Net cash provided by operating activities</b>	<u>\$ 424,910</u>

See notes to financial statements.



# IOWA ASSOCIATION FOR EDUCATIONAL PURCHASING

## NOTES TO FINANCIAL STATEMENTS

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### Note 1. Summary of Significant Accounting Policies

The Iowa Association for Educational Purchasing (Association) is an organization formed by the Iowa Area Education Agencies (AEAs) under Chapter 28E of the Iowa Code, to assist member schools with the purchase of products and services that enhance their school meals programs in support of the educational goals of students. Member schools include Iowa public schools, accredited non-public schools and any other institution participating in the National School Lunch Program and served by the Iowa AEAs.

The Association is composed of all of the Iowa AEAs. The members are: AEA 267, Keystone AEA, Green Hills AEA, Mississippi Bend AEA, Grant Wood AEA, Northwest AEA, Great Prairie AEA, Prairie Lakes AEA, and Heartland AEA.

The Association's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

#### A. Reporting Entity

For financial reporting purposes, the Iowa Association for Educational Purchasing included all funds, organizations, agencies, boards, commissions and authorities. The Association has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the Association are such that exclusion would cause the Association's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the Association to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the Association. The Association has no component units that meet the Governmental Accounting Standards Board criteria.

#### B. Basis of Presentation

The accounts of the Association are organized as an Enterprise Fund. Enterprise Funds are used to account for operations (a) financed and operated in a manner similar to private business enterprises, where the intent of the governing body is the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges or (b) where the governing body has decided periodic determination of revenues earned, expenses incurred and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

#### C. Measurement Focus and Basis of Accounting

The financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

## NOTES TO FINANCIAL STATEMENTS

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### Note 1. Summary of Significant Accounting Policies (Continued)

#### C. Measurement Focus and Basis of Accounting (Continued)

The Association applies all applicable GASB pronouncements, as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins of the Committee on Accounting Procedure.

The Association distinguishes operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the Association's principal ongoing operations. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

#### D. Assets, Liabilities and Net Assets

The following accounting policies are followed in preparing the Statement of Net Assets:

Cash, Investments and Cash Equivalents – The Association considers all short-term investments that are highly liquid to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, have a maturity date no longer than three months.

Capital Assets – Capital assets are accounted for at historical cost. Depreciation of all exhaustible capital assets is charged as an expense against operations. The cost of repair and maintenance is charged to expense while the cost of renewals or substantial betterments is capitalized. The cost and accumulated depreciation of assets disposed of are deleted, with any gain or loss recorded in current operations.

Capital assets of the Association are depreciated using the straight-line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Automobile	5 years
Furniture and equipment	5 years

## NOTES TO FINANCIAL STATEMENTS

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### Note 2. Cash

The Association's deposits in banks at June 30, 2012 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against depositories to insure there will be no loss of public funds.

The Association is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Association; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The Association had no investments meeting the disclosure requirements of Governmental Accounting Standards Board Statement No. 3, as amended by Statement No. 40.

### Note 3. Capital Assets

A summary of capital assets at June 30, 2012 is as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Capital assets				
being depreciated:				
Furniture and equipment	\$ -	\$ 7,000	\$ -	\$ 7,000
Vehicle	-	9,400	-	9,400
<b>Total capital assets being depreciated</b>	<b>-</b>	<b>16,400</b>	<b>-</b>	<b>16,400</b>
Less accumulated depreciation for:				
Furniture and equipment	-	1,400	-	1,400
Vehicle	-	1,880	-	1,880
<b>Total accumulated depreciation</b>	<b>-</b>	<b>3,280</b>	<b>-</b>	<b>3,280</b>
 Total capital assets, net	 \$ -	 \$ 13,120	 \$ -	 \$ 13,120

## NOTES TO FINANCIAL STATEMENTS

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### Note 4. Risk Management

The Association is exposed to various risks of loss related to torts; theft, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. Settled claims from these risks have not exceeded commercial insurance coverage in the past fiscal year. The Association assumes liability for any deductibles and claims in excess of coverage limitations.

### Note 5. Litigation

The Association is the defendant in a lawsuit filed on June 17, 2008 in District Court in Polk County, Iowa (Case Number 1). The lawsuit alleges Iowa Educators Corporation acted improperly in awarding a bid for food and other items as a result of a competitive bidding process and alleges Iowa Educators Corporation was improperly formed. The plaintiff seeks a declaration that the establishment, exercise, and operation of Iowa Educators Corporation is unauthorized under Iowa law and equitable relief enjoining the Area Education Agencies and Iowa Educators Corporation from continued operations in violation of Iowa law. The Association was named as a defendant in a lawsuit filed on December 17, 2010 in the United States District Court for the Southern District of Iowa (Case Number 2). Claims asserted against Iowa Educators Corporation include alleged violations of state and federal antitrust laws, violation of the federal RICO statute, fraud, and misappropriation of trade secrets. The Association was named as a defendant in a collateral lawsuit filed on January 27, 2011 in the Iowa District Court of Dallas County (Case Number 3). Claims asserted against Iowa Educators Corporation include alleged violations of state antitrust laws.

On June 5, 2012, the Association engaged in a mediation involving all of the lawsuits, and a tentative settlement was reached that covered all three suits. The tentative settlement in Case Number 1 and 2 called for the Association to agree to certain injunctive relief and to pay the sum of \$550,000 to the plaintiff, with \$500,000 of that amount to be paid by the Association's insurance carrier and \$50,000 by the Association. The tentative settlement with the plaintiff class in Case Number 3 called for the Association to agree to the same injunctive relief and to pay the sum of \$150,000, all of which is to be paid by the Association's insurance carrier. The settlement agreement with the plaintiff class in Case Number 3 requires court approval, and that process has been started and expected to take three to four months. The settlement agreements in all three cases are subject to and conditioned upon court approval of the settlement with the plaintiff class in Case Number 3. All three cases have been essentially stayed pending the approval process in Case Number 3. If the court denies the settlement agreement in Case Number 3, then all settlements will be null and void, and all three cases will be reinstated. Discovery was at a very early stage in all three cases at the time of settlement, and thus it is impossible at this time to provide an opinion as to the likelihood of a successful defense on the matters. While the Association does not have precise damage calculations from the plaintiffs in the three cases, it is possible that if found liable the damages could exceed the limits of the Association's applicable insurance policies.

The Association has recorded \$50,000 in accounts payable as of June 30, 2012, which is equal to the amount of its liability in the agreed upon tentative settlement. No additional amount has been accrued in these financial statements by either of the parties since the outcome of this matter is uncertain, and since the resulting additional liability, if any, cannot be determined.

## **NOTES TO FINANCIAL STATEMENTS**

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### **Note 6. Reporting Association Activity**

Prior to July 1, 2011, the Association's activity was reported within a related entity, Iowa Educators Corporation. Effective July 1, 2011, the Iowa Educator Corporation's board of directors agreed to transfer all of the Organization's financial activity related to the cooperative purchasing program for schools dealing with food and school foodservice related items to the Association to satisfy requirements by the United States Department of Agriculture. As a result, all cooperative food and school foodservice revenue and expenses for the year-end June 30, 2012 were reported within the Association's financial statements.

During the year ended June 30, 2012, the expenses of the Association were paid by Iowa Educators Corporation on behalf of the Association. The Association paid Iowa Educators Corporation \$592,415 in June 2012, equal to the amount of reimbursement due for the year ended June 30, 2012.

**Independent Auditor's Report on Internal Control over  
Financial Reporting and on Compliance and Other Matters Based  
on an Audit of Financial Statements Performed in Accordance with  
Government Auditing Standards**

**IOWA ASSOCIATION FOR  
EDUCATIONAL PURCHASING**



**SCHNURR & COMPANY, LLP**  
**Certified Public Accountants and Consultants**

**Independent Auditor's Report on Internal Control over  
Financial Reporting and on Compliance and Other Matters Based  
on an Audit of Financial Statements Performed in Accordance with  
Government Auditing Standards**

To the Members of the Iowa Association for  
Educational Purchasing  
Cedar Falls, Iowa 50613

We have audited the accompanying financial statements of the Iowa Association for Educational Purchasing as of and for the year ended June 30, 2012, and have issued our report thereon dated November 12, 2012. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

The management of the Iowa Association for Educational Purchasing is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the Iowa Association for Educational Purchasing's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Iowa Association for Educational Purchasing's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Iowa Association for Educational Purchasing's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the Iowa Association for Educational Purchasing's financial statements will not be prevented or detected and corrected on a timely basis.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.



### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Iowa Association for Educational Purchasing's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters required to be reported under Government Auditing Standards.

Comments involving statutory and other legal matters about the Association's operations for the year ended June 30, 2012 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the Association. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

This report, a public record by law, is intended solely for the information and use of the members and customers of the Iowa Association for Educational Purchasing and other parties to whom the Association may report and is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the Iowa Association for Educational Purchasing during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

*Schnurr & Company, LLP*

Fort Dodge, Iowa  
November 12, 2012

**IOWA ASSOCIATION FOR  
EDUCATIONAL PURCHASING**

**Schedule of Findings (Continued)**

**Year ended June 30, 2012**

**PART I: Findings Related to the Financial Statements:**

**Internal Control Deficiencies**

No matters were noted.

**Instances of Non-Compliance**

No matters were noted.

**Other Findings Related to Required Statutory Reporting:**

1. Questionable Expenses – No expenses we believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.
2. Travel Expense – No expenditures of money for travel expenses of spouses of association officials or employees were noted.
3. Board Minutes – No transactions were found that we believe should have been approved in the Association minutes but were not.
4. Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa were noted.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the Iowa Association for Educational Purchasing during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

*Schnurr & Company, LLP*

Fort Dodge, Iowa  
November 12, 2012